

# OBSOLETE PROPERTY REHABILITATION ACT

This Act allows tax abatements on functionally obsolete or blighted commercial property undergoing rehabilitation or industrial property undergoing rehabilitation from industrial use to commercial or commercial housing use. The Act provides for an exemption from certain taxes.

In order to obtain the exemption provided by PA 146 of 2000, there are four (4) steps which must be followed:

- a.) A *qualified local governmental unit* must establish an Obsolete Property Rehabilitation District.
- b.) The owner of the obsolete property must file an application for exemption with the clerk of the *qualified local governmental unit*.
- c.) The *qualified local governmental unit* must approve the application.
- d.) The State Tax Commission must also approve the application and issue the exemption certificate.

## A) Establishing An Obsolete Property Rehabilitation District

A *qualified local governmental unit* may establish one or more obsolete Property Rehabilitation Districts. This must be done by resolution. A district may consist of one or more parcels or tracts of land or a portion of a parcel or tract of land, PROVIDED THAT the parcel or tract is EITHER of the following:

- a) *Obsolete property* in an area characterized by obsolete *commercial property* or *commercial housing property*. Please refer to the definitions of *obsolete property*, *commercial property*, and *commercial*

*housing property* found in the addendum to this bulletin.

- b) *Obsolete property* that is *commercial property* and that was owned by the local governmental unit on June 6, 2000 AND was later conveyed to a private owner.

## Important Note:

The resolution establishing the district shall set forth a finding and determination that the district meets the requirement set forth in a or b above.

## 1. Establishing a District on Its Own Initiative Or At Request of Owner(s)

The legislative body of a *qualified local governmental unit* may establish an Obsolete Property Rehabilitation District on its own initiative OR upon a written request filed by the owner or owners of property comprising at least 50% of all taxable value of the property located within a proposed Obsolete Property Rehabilitation District. The written request must be filed with the clerk of the *qualified local governmental unit*.

## 2. Written Notice By Certified Mail

Before adopting a resolution establishing an Obsolete Property Rehabilitation District, the legislative body shall give written notice by certified mail to the owners of all real property within the proposed Obsolete Property Rehabilitation District and shall afford an opportunity for a hearing on the establishment of the Obsolete Property Rehabilitation District. Any of the owners and any other

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resident or taxpayer of the *qualified local governmental unit* may appear at the hearing and be heard. The legislative body shall give public notice of the hearing not less than 10 days or more than 30 days before the date of the hearing.

## **B. Owner Files An Application for Exemption**

The following are procedures which must be followed when an owner files an application for an Obsolete Property Rehabilitation Exemption Certificate:

1. If an Obsolete Property Rehabilitation District is established, the owner of obsolete property may file an application for an Obsolete Property Rehabilitation Exemption Certificate with the clerk of the *qualified local governmental unit* that established the Obsolete Property Rehabilitation District (The definition of “obsolete property” is contained in the addendum to this bulletin.) The law requires that the application shall be filed on the form prescribed by the State Tax Commission. STC Form 3674 has been developed for this purpose. This form requests all of the information required to be provided by PA 146 of 2000.

### **Important Note:**

If the application form (STC Form 3674) is not fully completed, it will be returned by the staff of the Property Tax Division prior to any processing

being done by the State Tax Commission as described in paragraph D of this bulletin.

## **2. Notifications by Clerk**

Upon receipt of an application for an Obsolete Property Rehabilitation Exemption Certificate, the clerk of the *qualified local governmental unit* shall notify, in writing, the assessor and the legislative body of each taxing unit that levies ad valorem property taxes in the *qualified local governmental unit* in which the obsolete facility is located.

The City of Detroit’s City Council will consider applications for tax abatements under Public Act 146 of 2000 that meet the following criteria and objectives and which will be used to determine the term of the exemption certificate:

- a) The applicant must demonstrate ownership of the obsolete property at the time of the application.
- b) The obsolete facility to be rehabilitated will not include property to be used as a professional sports stadium.
- c) The obsolete facility to be rehabilitated will not include property to be used, owned or operated by a casino or affiliated company as defined in the Obsolete Rehabilitation Act (M.C.L.A. 125.2782 (m)).
- d) The applicant represents that the project would not have been considered without the exemption certificate.
- e) The rehabilitation project was not started prior to establishment of the district by the City of Detroit.

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- f) There are no delinquent taxes on the facility or the structure being renovated.
- g) The applicant shows that completion of the rehabilitated building has a reasonable:
  - i) Increase commercial activity
  - ii) Create employment
  - iii) Retain employment
  - iv) Prevent a loss of employment
  - v) Increase the number of residences in the community in which the facility is situated
  - vi) Revitalize urban areas.
- h) The applicant will indicate the period of time within which the rehabilitation will be completed.
- i) The applicant may request an abatement of taxes for up to 12 years and shall explain why the abatement is required for the number of years requested.
- j) All applicants must be in compliance with the zoning ordinance and Master Plan.
- k) If the investment for a proposed rehabilitation project is \$250,000 or greater, the applicant will demonstrate a commitment to meet all requirements of Executive Order 22, Executive Order No. 4 and Executive Order No. 14 during the rehabilitation of the obsolete facility by presenting an annual plan approved by the Human Rights Department.
- l) Applicants will submit to the Human Rights Department a Contract Compliance Report (Form EEO-1) and a current Employer Information Report (Form EEO-2). The applicant may also be requested, by the Human Rights Department, to also submit an Affirmative Action Plan, to set forth future Affirmative Action goals of the applicant at the proposed obsolete property site and the means by which the applicant intends to effectuate those goals to demonstrate the applicant's commitment to diversity in their employment.
- m) The applicant shall make a concerted effort to partner or form a joint venture with small business enterprises, minority business enterprises, women-owned business enterprises that are located in Detroit, or with community-based groups. If the applicant is unsuccessful in partnering or forming a joint venture, then the applicant must explain in writing to the City Council efforts undertaken or why partnering or forming a joint venture is not feasible for their project.
- n) The applicant will provide, with their application for a tax exemption, a certification of compliance with the City's Living Wage and Prevailing Wage requirements.
- o) The applicant will include in the application a history of the property use, report of any environmental concerns and procedures that will be taken to abate any hazardous conditions.
- p) If the project is located within the boundaries of a designated Urban Renewal Area, the applicant shall demonstrate that the Citizens District Council has had the opportunity to review the proposed project.

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- q) If the project includes commercial housing, the applicant must agree to Fair Housing Practices that meet guidelines set forth by the U.S. Fair Housing Act (42 U.S.C.3601 through 3619).
- r) A project that includes housing units that will be available as rentals will be subject to the Rental Registration Ordinance.
- s) The applicant should demonstrate a commitment to affordable housing for citizens of low and moderate income. If affordable housing is not part of the application under consideration, the applicant may show their commitment through other housing project developed by the applicant.

### **3. Administration and Compliance**

- a) The Planning and Development Department of the City shall administer this Policy as set forth herein. The Human Rights Department shall assist applicants by providing information on the Metropolitan Statistical Area (MSA) workforce availability statistics and the necessary components for an acceptable affirmative action plan to be submitted to the City if required.
- b) Publication – information, regarding the project, including location, dollar amount of project, and employment impact, if any, will be published as part of the public hearing notice.
- c) Reporting – The Assessor will determine the value and taxable value of real and personal property annually, as of December 31, for each exempt rehabilitated facility. The Assessor's Division of the Finance Department and/or the Planning and Development Department shall be responsible for submitting to the State Tax Commission, no later than October 15 each year, a report on the status of each exemption as required by M.C.L.A. 125.2794. A copy of reports submitted to the State Tax Commission shall also be submitted to the City Council, by October 15 each year and shall also include:
  - i) List of project approved
  - ii) Projected and actual investment in each project
  - iii) Projected and actual number of jobs retained or created by the exemption
  - iv) Number of housing units that have been created and that are occupied
  - v) Amount of space created and currently used for commercial business enterprises
  - vi) For each approved obsolete property exemption certificate, the current value of each property to which the exemption pertains, and the value on which the obsolete property rehabilitation tax is based
  - vii) Total State Equalized Value (SEV) abated and the percentage of SEV abated.

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<u>Obsolete Districts</u>	<u>Property In Various Stages of Development</u>	<u>Area of City</u>
1.	Kales Building	Downtown
2.	Iodent Building	Downtown
3.	Holiday Inn Express	Downtown
4.	Small Plates Restaurant	Downtown
5.	Hartz Building (Brewery)	Downtown
6.	Motor City Electric	East Side
7.	Oddfellows Hall	Southwest Detroit
8.	N’Namdi Art Gallery	Cultural Center
9.	Bob Maxey Ford Dealership	Downtown
10.	Rocky DFD	Eastern Market
11.	1466 Brush Street	Downtown
12.	New Cavalry Baptist Church	East Side
13.	1950 W. Fort & 1957 Lafayette	Southwest Detroit
14.	Book Cadillac Hotel	Downtown
15.	Argonaut Building	New Center Area
16.	Russell Street Development	Eastern Market Area
17.	1323-1325 Broadway	Downtown
18.	National Theatre (110-118 Monroe)	Downtown
19.	6200 Second	New Center Area
20.	41-47 Burroughs	New Center Area
21.	Garfield Building	Downtown
22.	Thor Equities (Warren Conner Shopping Center)	East Side
23.	Semik Wright	East Side
24.	1521 Broadway	Downtown
25.	2944 Woodward	Cultural Center